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REMARKS OF WILLIAM J. CASEY
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Talk about intelligence.

There's a lot of confusion and misunderstanding on what intelligence is and what an intelligence agency is supposed to do. Intelligence is not espionage, or codebreaking, or cameras in the sky, or collecting signals and electronic impulses. It's knowing what information you need, where and how to get it, how to put it together, and what to make out of it. Then you have to be effective in using it not only to develop and implement our own policies but also to help our friends and allies defend themselves, to blunt hostile propaganda and low-level aggression.

Our intelligence service had fallen behind badly for having lost 50% of its manpower and 40% of its funding during the seventies. My job is to run, to focus on our national policy objectives, and, at the same time, rebuild a still huge apparatus of technical marvels and trained observers capable of sweeping up and gathering information and perceptions from all over the world. Even more important and challenging is the need to identify and assess vulnerabilities and opportunities around the world which are critical to our interests and to focus this apparatus on dealing with them.

Today, we are as a nation challenged at many levels. I will review these challenges and indicate where and how over the last year we've developed new perceptions on their nature and how they might be dealt with. In many of these areas government can't see and do everything and you in the private sector have perceptions and capabilities that can be very important.

The most potentially devastating challenge comes from the nuclear missiles which are aimed at us. The President talked to that threat on Sunday.

The second threat comes from the land, air and sea forces of the Warsaw Pact nations in Europe. They have been gaining on NATO forces in quantity and quality.

The third threat is the ability of the Soviets, directly or through proxies, to project power southward towards the oil fields and long sought warm water ports of Southwest Asia. We've seen this in the invasion of Afghanistan, in troop strength on the border and headquarters exercises into Iran and in the linking up of Soviet weapons and air transport with Cuban troops thousands of miles from their borders in Angola and Ethiopia. In Southeast Asia, Soviet weapons, training and money have enabled Vietnam to impose its will on both Laos and Cambodia.

The fourth level of threat is that of surreptitious expansion or creeping imperialism. If you color in red a map of the world the nations under some degree of Soviet influence, close to 50 nations will be in red. Ten years ago, only 25 nations would have been colored in red. In the ten years between 1972 and 1982, 4 nations have extricated themselves from Soviet grasp and 23 nations have fallen under a significantly increased degree of Soviet influence or insurgency supported by the Soviets or their proxies. It is, in my opinion, no coincidence that today the 11 insurgencies under way throughout the world supported by Russia, Cuba, Libya and South Yemen happen to be close to the natural resources and the choke points in the world's sea lanes on which the United States and its allies must rely to fuel and supply their economic life. For the Soviets, destabilization, subversion and the backing of insurgents in other countries around the world has proven attractive and relatively risk free. Moscow can deny involvement, label such conflicts as internal, and warn self-righteously against "outside interference." It is

much easier and much less expensive to support an insurgency than it is for us and our friends to resist one. It takes relatively few people and little support to disrupt the internal peace and economic stability of a small country.

Production declines, investment is driven away and the resulting economic dissatisfaction brings more recruits to the insurgent forces.

A fifth level of threat is in the exploitation of indigenous religious and political and other regional tensions. The most immediately dangerous may be the Shia and Sunni Moslem tensions running through Iran, Iraq, Syria and other states on the Persian Gulf which could bring heavy Soviet influence into the oil regions of the Middle East. Similar tensions exist to be inflamed and exploited between Arabs and Jews, between moderate and radical Arabs and between blacks and whites in Africa. The Russians and Cubans are poised to exploit tension between Gringos and Latinos in this hemisphere if the Falklands and other latent territorial disputes get out of hand.

Then there are lower level threats springing from an awesome range of special Soviet capabilities. The first is their ability to get a free ride on our research and development.

Only recently have we established how the accuracy, precision and power of Soviet weapons, which we now must counter with budget busting appropriations, are based on Western technology to a far greater extent than we had ever dreamed. The Soviet political and military intelligence services, KGB and GRU, have for years been training young scientists to target and roam the world to acquire technology for their military arsenal from the US, Western Europe, Japan and anywhere else. They have acquired technology worth many billions by purchase,

legal and illegal, by theft, by espionage, by bribery, by scientific exchanges and by exploiting our open literature and our Freedom of Information Act. We need to sensitize and protect our scientists, engineers and sales forces against technology pickpockets, dummy customers and forged papers used to funnel sensitive equipment and knowledge behind the Iron Curtain.

The second is their skill in propaganda which continually puts us at a disadvantage. While our intelligence has shown the Soviets carrying off the biggest peacetime military buildup in history, deploying over 200 missiles targeted at Western Europe and using chemical and bacteriological weapons against the freedom fighters and their women and children in Afghanistan and Indo-China, they have succeeded in painting the United States as a threat to peace.

This is accomplished through their political and intelligence apparatus in a far-flung and many-sided campaign of what they call active measures. Our intelligence can identify the distortions of these active measures but to develop the necessary instruments and links to expose and rebut them the private sector in the free world will have to carry much of the load. That's a challenge I put directly to you. Those who believe that our values and our national security require a firm stance in the world need to involve some of themselves and some of their money in educating and mobilizing public opinion here and abroad. Right now Soviet propaganda and those in tune with it have a clear field to mislead, divide and paralyze. There is a distinct limit to what bureaucrats and politicians can do to counter this. The few tiny private sector efforts to work this problem need to be strengthened, broadened and reinvigorated. They need to be extended and linked with their counterparts

abroad. There is a historic challenge here which can only be picked up by by leaders in the private sector and I'll be glad to discuss it with any of you later.

Another Soviet asset is military hardware advisors and training pumped into Africa, Asia and Latin America. The Soviets offer better prices, better terms and better deliveries in providing weapons which bring Soviet influence and advisors into Third World countries. We need to beef up our security assistance and industrial military base to compete in this arena.

The increasing availability of money, arms and training for violence has created a monster known as international terrorism.

There is a new class of "violence manipulators" which will grow in importance over the next few years. It includes: sub-national terrorist groups, harbored willingly or unwillingly by various states, which seek to disrupt Western societies; Third World countries willing to exploit the tools of terrorism directly for their own ends; and larger powers which desire to manipulate international events without running the risks of formal military confrontation.

None of these actors operates wholly independently. The Soviet Union has provided funding and support for terrorist operations via Eastern Europe and its client nations like Libya or Cuba. With tacit Soviet approval many groups have trained together in Cuba, Libya, Iraq, South Yemen and Lebanon. Informal alliances among the members of different groups have often occurred.

Terrorism, on the whole, is too complex an issue to be easily explained away as an example of Soviet interventionism. Even if the Soviet Union withdrew all patronage, terrorist activity would certainly continue, perhaps

unabated. Terror has other independent patrons, currently the most prominent being Libya. Terrorist training camps are the largest industry in Libya, next to oil.

Moreover, sub-national terrorist groups have matured into self-sustaining organisms; there is no organic need for a master conspiracy. When enough terrorists are armed and trained, they must kidnap and rob to get money for what has become a big business and they need to assassinate and blow up things to get the media spotlight they need to recruit and keep up morale.

The Intelligence Community works to identify these threats, to spot the conditions which create vulnerability, and to diagnose and help develop the capabilities needed to meet them. Subversion and insurgency exploit instability. We have established a Center for the Study of Insurgency and Instability which uses a wide range of techniques and methodologies to provide advance warning of instability and potential for destabilization in order to protect us from being caught by surprise as we were in Iran. The small and weak countries in which insurgencies can be fostered and developed to overthrow governments do not need and cannot handle expensive and sophisticated weapons for which virtually all of them clamor. What they need is light arms to defend themselves against externally trained and supported guerrillas, good intelligence, good police methods, good communications, training in small arms and their use in small unit actions, mobility to keep up with the hit-and-run tactics of guerrilla forces. We can introduce an element of stability into the Third World by helping small countries to develop those skills and capabilities for a fraction of our foreign aid budget. Governments facing civil war cannot achieve economic and social progress until they win the war.

El Salvador provides an example of how we can help these beleaguered nations to defend themselves. The training of El Salvadoran troops and officers in the United States imparted new capabilities to the government Army. The success of the recent elections in El Salvador came largely from developing new intelligence sources and showing the El Salvadoran Army how to use intelligence to break up guerrilla formations before they could attack provincial capitals in order to stop the voting. This resulted in the American television audience seeing in living color Usulután, the provincial capital nearest Nicaragua, with its streets empty and its inhabitants huddled behind closed doors as guerrillas fired their rifles at doorways. Then, a minute later, they saw in the rest of the country long lines of people patiently waiting in the hot sun to cast their vote. That contrast in a few minutes wiped out weeks of distortion about what is happening in Central America. We are helping other countries threatened with subversion, insurgency and terrorism to develop their own intelligence and counterinsurgency capabilities and to track terrorist organizations and train local quick reaction and rescue forces to fight terrorism worldwide.

In the final analysis, all these threats boil down to a struggle for the hearts and minds of men. The courage of the Afghan freedom fighters, supported by arms and training provided by other nations, escalates the price and deters armed insurrection everywhere. The world has seen the Communist system fail in Poland. The once proud call of Lenin, "Workers of the world unite," today makes those in the Kremlin tremble. Many Third World countries have tried the Communist model and discovered that it doesn't work. The Soviets have been kicked out of Egypt, Sudan and Somalia. But to hold their people, leaders in these harrassed countries needed to show that ties with the West do yield

economic benefits. Even a modest Western presence enhancing their trade and production and creating some jobs is all that they need to point to. Here the American private sector can play a far more significant role than government aid. What is needed in the Third World is not steel mills and power plants but entrepreneurial activity suited to the prevailing level of economic opportunity. That's the vision which President Reagan projected at the Cancun Summit. We now need private sector leadership to encourage and show American small and medium-sized business to move offshore and involve themselves in the world.

The Intelligence Community has focused attention on the enormous economic problems which the Soviets are facing at home. Assessments have been produced on Soviet economic dependency on Western trade, on Soviet military use of Western technology, on the need for Western credits and energy markets to save the Soviets from a devastating hard currency squeeze in the years immediately ahead, on how forces in the global economy are likely to impact our competitive position, our balance of payments, our capital formation and the industrial base on which our national security must rest. These are some of the ways intelligence can protect both our national security and economic interest from threats emanating from external sources.

One concluding thought -- we have a propensity for shooting ourselves in the foot. One of these self-inflicted wounds, close to my heart, leaves us the only country in the world which gives foreign intelligence agencies and anyone else a legal license to poke into our files. I question very seriously whether a secret intelligence agency and the Freedom of Information Act can co-exist for very long. The willingness of foreign intelligence services to share information and rely on us fully, and of individuals to risk their lives

and reputations to help us will continue to dwindle away unless we get rid of the Freedom of Information Act. Secrecy is essential to any intelligence organization. Ironically, secrecy is accepted without protest in many areas of our society. Physicians, lawyers, clergymen, grand juries, journalists, income tax returns, crop futures -- all have confidential aspects protected by law. Why should national security information be entitled to any less protection? I'm not asking for any retreat from our commitment to protecting essential liberties but only to bear in mind, as Justice Goldberg once said, that "while the Constitution protects against invasions of individual rights, it is not a suicide pact."

Thank you -- I'll be glad to take your questions now or later.